

COMMITTEE ON LEGISLATIVE RESEARCH  
OVERSIGHT DIVISION

**FISCAL NOTE**

L.R. NO. 2507-01  
BILL NO. HB 1186  
SUBJECT: Easements and Conveyances: Corrections Department  
TYPE: Original  
DATE: January 14, 2000

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**FISCAL SUMMARY**

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<b>ESTIMATED NET EFFECT ON STATE FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
General Revenue	\$0 or \$3,200,000	\$0	\$0
Working Capital Revolving Fund	\$ 0 or (\$98,300)	\$0 or (\$101,741)	\$0 or (\$105,301)
<b>Total Estimated Net Effect on <u>All</u> State Funds</b>	<b>\$0 or \$3,101,700</b>	<b>\$0 or (\$101,741)</b>	<b>\$0 or (\$105,301)</b>

<b>ESTIMATED NET EFFECT ON FEDERAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
None			
<b>Total Estimated Net Effect on <u>All</u> Federal Funds</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>ESTIMATED NET EFFECT ON LOCAL FUNDS</b>			
<b>FUND AFFECTED</b>	<b>FY 2001</b>	<b>FY 2002</b>	<b>FY 2003</b>
<b>Local Government</b>	<b>\$0 to \$12,500</b>	<b>\$0 to \$25,000</b>	<b>\$0 to \$25,000</b>

Numbers within parentheses: ( ) indicate costs or losses

This fiscal note contains 5 pages.

## FISCAL ANALYSIS

### ASSUMPTION

In response to an identical proposal last session, officials from the **Department of Corrections (DOC)** assumed that two parcels of land currently being leased out for farming at Central Missouri Correctional Center (CMCC) would be sold as a result of this proposal. DOC officials assume that funds from the sale of the property would be given to the Office of Administration - Design and Construction to offset the cost of future construction, maintenance and repair projects for the DOC.

The current lease agreement for the two parcels is \$82,500 per year for 764 acres of tillable land and \$15,800 per year for 520 acres of pasture land. Assume that lease costs would increase at a rate of 3.5% per year.

	<b>764 Tillable Acres</b>	<b>520 Pasture Acres</b>	<b>Total Lease Cost</b>
<b>FY00</b>	\$ 82,500	\$15,800	\$ 98,300
<b>FY01</b>	\$ 85,388	\$16,353	\$101,741
<b>FY02</b>	\$ 88,376	\$16,925	\$105,301
<b>FY03</b>	\$ 91,469	\$17,518	\$108,987
<b>FY04</b>	\$ 94,671	\$18,131	\$112,802
<b>FY05</b>	\$ 97,984	\$18,765	\$116,750
<b>FY06</b>	\$101,414	\$19,422	\$120,836
<b>FY07</b>	\$104,963	\$20,102	\$125,065
<b>FY08</b>	\$108,637	\$20,806	\$129,442
<b>FY09</b>	\$112,439	\$21,534	\$133,973

***TOTAL TEN YEAR FISCAL IMPACT***    \$1,153,196

Officials of the **Office of the Administration - Design and Construction (OA-D&C)** stated that based on the sale of property previously known as Renz Prison Farm, the following assumptions were made:

<b>ACTUAL COSTS (1994 dollars)</b>		<b>ACTUAL REVENUES</b>	
Renz Surveying Cost	\$17,000	Sale of Renz	\$1,281,381
Renz Appraisal	1,750	Less Costs	<u>( 20,150)</u>
Renz Auctioneer	1,400	Net Sales	\$1,261,231
		Total Acres	<u>960</u>
<b>TOTAL</b>	<u>\$20,150</u>	<b>NET REVENUE Per Acre</b>	<b>\$1,314</b>

ASSUMPTION (continued)

If the amounts from the sale of Renz Prison Farm were applied to the sale of property at the Church Farm, OA-D&C officials could feasibly receive \$1,314 per acre for the sale of all or part of the CMCC. Also, property is currently being leased at the Church Farm. Two leases are in place, one for tillable land, the other for pasture land. The combined revenue for the two leases is \$98,300.

LOST REVENUES		
Tillable Land	764 Acres	\$82,500
Pasture Land	520 Acres	15,800
TOTAL	1284 Acres	\$98,300

If all of the leased properties were sold (1,284 acres), a one-time revenue of \$1,687,176 would be realized, for the leased land only. An annual loss of \$98,300 would be realized from lost leases.

Officials from the **Office of the Attorney General** assume the costs of the proposed legislation could be absorbed with existing resources.

Officials from the **Cole County Assessor's Office** assume the proposal could increase their revenue, depending on who purchases the property, the date of the sale, and the purchase price. Currently, this 1,284-acre property is exempt from tax assessment because it is owned by the state. If the property is sold to an entity that is responsible for taxes, then it would generate annual property tax revenues for Cole County - with the amount dependent on the sales price and assessed valuation. The actual amount is based on the assessed valuation; however, the assessed valuation will be partly based on the sales price. For example, assuming an estimated value of \$2,000 per acre, this property could generate annual revenue of approximately \$25,000. Of course, the assessment revenue generated will be based on the date of sale and the assessed value. It should be noted that the property could be sold to another tax-exempt entity, which would generate no revenue for Cole County. Therefore, officials from the assessor's office estimate an income of \$0 to \$12,500 for FY 2001 and \$0 to \$25,000 in additional revenue per year for FY 2002 and FY 2003.

**Oversight** assumes this proposal would authorize the Governor to sell, transfer, grant, and convey certain property at the Church Farm Correctional Facility to any person at public offering. If the property were sold, OA-D&C estimated there would be one-time revenues from the sale of that property of approximately \$3.2 million. Because no specific fund was indicated in the proposal, Oversight assumes the income would be credited to the General Revenue Fund. If the property were sold, there would also be lost lease revenues to the Working Capital Revolving Fund of \$98,300 in FY01, \$101,741 in FY02 and \$105,301 in FY03.

<u>FISCAL IMPACT - State Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<b>GENERAL REVENUE FUND</b>			
<u>Income - Office of Administration, Division of Design and Construction (OA-D&amp;C)</u>			
Sale of Church Farm property	\$ 0 or \$3,200,000	\$ 0	\$ 0
<b>ESTIMATED NET EFFECT TO GENERAL REVENUE FUND</b>	<b>\$ 0</b> <b>or</b> <b><u>\$3,200,000</u></b>	<b><u>\$ 0</u></b>	<b><u>\$ 0</u></b>

**WORKING CAPITAL REVOLVING FUND**

<u>Loss - Department of Corrections (DOC)</u>			
revenue from leases	\$ 0 or (\$98,300)	\$ 0 or (\$101,741)	\$ 0 or (\$105,301)
<b>ESTIMATED NET EFFECT TO WORKING CAPITAL REVOLVING FUND</b>	<b>\$ 0</b> <b>or</b> <b><u>(\$98,300)</u></b>	<b>\$ 0</b> <b>or</b> <b><u>(\$101,741)</u></b>	<b>\$ 0</b> <b>or</b> <b><u>(\$105,301)</u></b>

<u>FISCAL IMPACT - Local Government</u>	FY 2001 (10 Mo.)	FY 2002	FY 2003
<b>COLE COUNTY</b>			
<u>Income - Real estate taxes</u>	<b>\$0 to \$12,500</b>	<b>\$0 to \$25,000</b>	<b>\$0 to \$25,000</b>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

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DESCRIPTION

This proposal would authorize the Governor to sell, transfer, grant, and convey certain property at the Church Farm Correctional Facility to any person at public offering. The Office of Administration would have the property appraised and set the terms and conditions of the sale. All proceeds from the sale would be used for construction or repair and maintenance of correctional facilities.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Department of Corrections  
Office of Administration - Design and Construction  
Cole County Assessor's Office  
Office of the Attorney General

**NOT RESPONDING: Department of Corrections**



Jeanne Jarrett, CPA  
Director  
January 14, 2000